

SERVICES DIVISION
ECONOMIC RESEARCH AREA

Major Accomplishments and Principal Developments, Fiscal Year 1956

1. The principal development facing Services Division during Fiscal 1956 has been the apparent reorientation of Soviet Foreign Trade Policy, particularly the problem of timely analysis and publication of materials dealing with Soviet economic activity in "underdeveloped" countries. The Trade and Finance Branch has been completely reorganized in an effort to meet requirements placed upon this division because of these new Soviet developments. This branch has been associated with and has actively supported an EIC Working Group organized to deal with the problem of Soviet activity in underdeveloped areas.
2. This working group has been responsible for the publication of a summary report on Soviet activity in underdeveloped areas and the preparation and publication of bi-weekly and quarterly reports on such activity. In addition to activities associated with the preparation of working-group publications the Trade and Finance Branch has prepared an ORR contribution to an NIE on this subject, four major research studies and a large number of small items in support of the DDP's activity in related areas.
3. The reorientation of Soviet international economic activity has also exercised a considerable influence upon the normal channels of Soviet trade and upon international reaction to the established COCOM and CHINCOM controls. Five major research projects and two briefing papers for the President of the United States have been prepared treating with these more indirect implications of Soviet policy. Trade and Finance Branch has undertaken a considerable share of the NIS production of the division, and has also monitored an external contract with the Department of Commerce developing East-West trade statistics.
4. Services Division continued throughout Fiscal 1956 the maintenance of a detailed Indications Journal on activity in the East China and Formosa Straits area. This effort has been carried out by representatives of all of the branches of the division under the leadership of the Organizations and Management Branch. A major research report summarizing the current situation in this area was published in April 1956.
5. The Organizations and Management Branch has completed the research and publication of a series of papers dealing with the Soviet control structure in general and with the organization and management of economic enterprises. These papers essentially lay the groundwork for future research in depth on the more specific aspects of problems associated with Soviet control.
6. A program was instituted this year to begin the systematic publication of the results of general transportation research on the various foreign area economies for which ORR is responsible. The initial results from these

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publications are sufficiently satisfactory that an effort will be made in the near future to publish each as a finished Research Report. The increase in transportation research support requirements, particularly those dealing with shipping and transport operations, combined with the minimum publication of area or regional transport summaries, has required the reorganization and enlargement of the branch.

7. New Soviet announcements as well as UN adoption of a series of different and conflicting population data for the USSR have raised fresh doubts about the certainty of all current population estimates. Only a Soviet census offers any likelihood of resolving these doubts. Research in the Population and Manpower Branch has been increasingly oriented toward labor force and wage analysis. The detailed demographic support for population estimates, including the reinspection of Soviet estimates, has continued to come from the Bureau of Census external research contract. This support has become more timely and continues to be a high quality product.

8. Communications research has concentrated on the development of additional sources of information, particularly on pricing of communications services, total investment outlay represented by the industry, and operating costs and revenues. These data have been used to support several new national estimates. Research on these data is sufficiently complete that two definitive reports dealing with communications services in the USSR and China are now underway and should be completed during Fiscal 1957.

9. The Construction Branch research program has been principally directed to the NIS and NIE contributions. Special attention has been given to an analysis of the impact of the "New Lands" program in the USSR and to the accelerated pace of new construction in Communist China. Additional attention to the development of a series of construction activity indices and to total outlays for construction in several of the major service industries will be undertaken in Fiscal 1957.

10. Services Division has been able to extend the scope and depth of its basic research program during the past year. This extension has in many ways been the result of specific requirements defined by NIE and NIS requirements. The NIE program, particularly the military expenditure, the USSR, and Communist China estimates, has provided the basis for a considerable expansion of our basic intelligence. The NIS program has made an important contribution to extending our research on the European Satellite nations.

11. The China Committee, originally organized to enlarge the general area experience of D/S analysts in this area, has experienced another successful year. This committee has not only served to achieve its original purpose but has also supported the general mission of the division by providing an organized group to facilitate the levy of requirements, the conduct of briefings, the evaluation of information, and many other routine but highly important functions.

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12. A European Satellites Committee has been formed during Fiscal 1956 in an attempt to achieve the same awareness and rapport for this area that has been developed on Communist China.

13. Timely analysis and evaluation of the current flow of intelligence information has continued to occupy a large segment of the division's research and publication effort. This activity has been encouraged on the basis that it contributes additional perspective to what is basically a research in depth operation and provides the necessary informed evaluation and comment on current intelligence. More than 100 items have been proposed for publication as Current Support Memoranda and 56 have been published to date. In addition to these formal items, comment and review has been offered on several hundred current items originated by the Current Support Staff.

14. Representatives of the division have prepared and presented several major briefings dealing with economic services for senior officials of CIA and other components of the intelligence community as well as other governmental agencies.

15. The division achieved significant gains in its research output in 1956. Over 90 branch and division research projects were completed during the year. In addition, contributions were submitted for 32 area-wide projects and a considerable number of small support projects were completed.

16. Services Division participated with other components of the Economic Research Area in an extensive review of its organizational and personnel structure. Final proposals were submitted for the reorganization of the Transportation and the Trade and Finance branches, and other internal adjustments.

17. Considerable planning was given to the clerical situation within the division. It is expected that during 1957 the division will continue its effort to develop clerical assignments in such a way that they may facilitate the research effort of the division. In addition an effort will be made to implement a program for the conversion of several clerical positions to that of research assistant. This should improve as well as increase the research product and enable fuller utilization and recognition of the abilities of the division's clerical personnel.

18. Services Division participated in the ORR recruitment campaign at the major colleges and universities. The results of this drive were most gratifying and will be beneficial in enabling present vacancies to be filled with high-calibre personnel. The recruitment drive has, moreover, been of great value in making academic leaders more aware and responsive to CIA personnel requirements.

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Objectives of Services Division in Fiscal 1957

1. To continue the preparation of scheduled reporting on Soviet economic activity in underdeveloped areas and to initiate two or three basic studies in depth of major Soviet deals with certain selected Free World countries such as Afghanistan, Egypt and India.
2. To complete definitive research reports dealing with the communications industries of the USSR and Communist China.
3. To monitor outstanding requirements on the use of forced labor in the USSR and if anticipated information becomes available to produce a definitive research report on this subject.
4. To continue research in depth on specific aspects of the Soviet control mechanism, particularly in the area of controls over the operation of economic enterprises.
5. To initiate a series of studies designed to produce indices of construction activity in each of the principal nations of the Sino-Soviet Bloc and to produce estimates of total outlays for construction in several of the major service industries.
6. To continue the collection of special data on the Sino-Soviet Bloc wage and labor force structure and to begin the preparation of additional research reports analyzing and summarizing these data.
7. To continue the preparation of general research reports analyzing and evaluating the general transportation situation of major regions of the Sino-Soviet Bloc, and to continue research on special commodity movement (petroleum) within the USSR and Communist China.
8. To continue research on Sino-Soviet trade and the shipping and overland transport associated with this movement.
9. To make increasing use of the committee system to develop an increasing area and economic knowledge that will improve the research product and capability of the Division. On the basis of the performance of the existing China and European Satellites Committees the division may form committees to treat with the USSR or segments thereof. Increasing use of the committee system will be made for briefings, requirements, and other support functions.
10. To encourage and intensify division analysis and exploitation of current intelligence information as a means of increasing support to the Current Support Staff, improving the timeliness and quality of our basic

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research projects, and rendering more service to other components of the intelligence community and the government.

11. To create a reserve of experienced and better qualified analysts by increasing the participation of senior analysts and section leaders in all stages of the research process, program planning and review, and supervision and guidance of junior analysts.

12. To increase continually the role of clerical personnel in the research program of the division by having them participate actively in such facets of research as intelligence maintenance and document exploitation. Deserving and capable clerical personnel will be encouraged in their training and on-the-job performance to assume gradually positions as research assistants.

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